



1978 ANNUAL REPORT

Somerville Belkin Industries Limited

Somerville Belkin Industries Limited,
with its head office located in Mississauga,
Ontario, operates ten plants — in Montreal,
Brockville, Toronto, Bramalea, London, Windsor,
Winnipeg and Richmond.

The Company produces folding cartons, flexible
packaging, games and puzzles, vacuum formed,
compression and injection moulded plastics,
automotive products, and provides
merchandising services.

Report to Shareholders



Morris Belkin



Robert F. Krause

The sales of Somerville Belkin Industries Limited for the fiscal year ended September 30, 1978, amounted to \$94,631,000 compared to \$55,103,000 in the previous period. The latter figure is not comparable, however, as the 1977 fiscal year covered a period of only nine months as the Company's year end was changed from December 31 to September 30, effective September 30, 1977, in order to conform with the year end of its parent company. By way of comparison, sales for the twelve months ended September 30, 1977, amounted to \$72,929,000 hence the current period's performance represents an increase of 29.7%.

Packaging sales for the twelve months to September 1978 amounted to \$75,706,000 compared to \$56,323,000 achieved for the comparative period of 1977 and \$42,823,000 for the short 1977 fiscal year. Sales for 1978 include the results for the full year of the Richmond, B.C., Folding Carton Plant which was acquired from Belkin Packaging Ltd., on June 30, 1977. Other segments of the Company

showed sales of \$18,925,000 for the twelve months which represents an increase of \$2,319,000 or 13.9% from the comparable period of 1977 and compares with \$12,280,000 for the nine months to September 1977. The sales improvement in the current year is mainly attributable to the strong performance in the Automotive Products Divisions.

Net Income for the twelve months to September 1978 amounted to \$2,158,000 compared to an unaudited \$2,332,000 for the comparable period of 1977 and \$1,838,000 for the nine months to September 1977. The Packaging Divisions performed well at all Divisions with the exception of the new Brockville plant which is designed to produce high quality gravure printed tobacco packaging and which entered commercial production early in the fiscal year. Various production problems and inefficiencies while training employees in this new process contributed to an unsatisfactory performance.

The Automotive Products Divisions produced record sales and profits during the year despite the effects of a 13 week strike at the Windsor plant. The Plastics Division also produced improved results over 1977, while Merchandising Services turned in a satisfactory performance. In the Games Division the long standing association with Milton Bradley will be terminated effective December 31, 1978. This will not have a material impact on the overall Company's profits. It is the intention of Somerville Belkin Industries Limited to continue in the games business in 1979 with jigsaw puzzles and other games and to actively seek new licensing agreements with foreign suppliers and allied products. In general, the 1978 performance of the Games Division represented an improvement over the previous year.

The Company's equity earnings in Mastico Industries Limited in which it holds a 50% interest, were lower than for the previous twelve month period due to a shortfall in sales and lower selling prices. With decreased car sales being called for in 1979 the Company is not optimistic that it can improve its performance.

It is a pleasure to thank all those employees who have contributed to the performance of the Company in the past year and we count upon their continuing support toward a successful year. During the year Robert F. Krause joined the Company as President and Chief Executive Officer and was also elected to the Board of Directors. In August of 1978 the Company relocated its Head Office from London, Ontario, to Mississauga, Ontario.

With continued strong demand for all the Company's products, we are looking for improved results in fiscal 1979.

M. Belkin,
Chairman of the Board

Robert F. Krause,
President and Chief Executive Officer

Consolidated Balance Sheet

(000's omitted)

Somerville Belkin Industries Limited
(Incorporated under the laws of Canada)
As at September 30, 1978
(with comparative amounts as at September 30, 1977)

ASSETS	1978	1977
Current Assets		
Accounts receivable	\$16,020	\$12,821
Income taxes recoverable	900	1,153
Inventories (note 2)	20,175	17,787
Prepaid expenses	762	662
	<u>37,857</u>	<u>32,423</u>
Investments		
Shares in 50% owned company — Mastico Industries Limited — at equity value	1,123	901
Sinking fund for preferred shares — government and industrial bonds at market values (cost \$115,405)	108	108
	<u>1,231</u>	<u>1,009</u>
Fixed Assets (note 3)		
Land, buildings and equipment	38,350	37,351
Less accumulated depreciation	<u>17,825</u>	<u>16,440</u>
	<u>20,525</u>	<u>20,911</u>
Intangibles		
Debt financing costs	195	208
Preproduction costs	617	492
	<u>812</u>	<u>700</u>
	<u>\$60,425</u>	<u>\$55,043</u>

Approved by the Board
M. Belkin, Director
W. H. Rayner, Director

LIABILITIES

	<u>1978</u>	<u>1977</u>
Current Liabilities		
Bank advances (note 4).....	\$16,106	\$13,738
Accounts payable and accrued liabilities.....	7,066	5,748
Payable to parent company, Belkin Packaging Ltd.....	1,555	1,285
Income and other taxes payable.....	1,244	833
Dividends payable.....	21	22
Long term debt payable within one year.....	555	175
	<u>26,547</u>	<u>21,801</u>
Long term debt (note 4)	<u>9,870</u>	<u>10,425</u>

Income taxes provided not currently payable	<u>4,850</u>	<u>4,172</u>
---	---------------------	--------------

Shareholders' equity

Capital stock (note 5).....	13,927	13,993
Retained earnings.....	4,309	3,730
Excess of appraised value of fixed assets over cost	922	922
	<u>19,158</u>	<u>18,645</u>
	<u>\$60,425</u>	<u>\$55,043</u>

Consolidated Statement of Retained Earnings

(000's omitted)

Somerville Belkin Industries Limited

For year ended September 30, 1978

(with comparative amounts for nine months ended September 30, 1977)

	<u>1978</u>	<u>1977</u>
Balance at beginning of period.....	\$ 3,730	\$ 2,455
Net income	<u>2,158</u>	<u>1,838</u>
	<u>5,888</u>	<u>4,293</u>
Dividends		
Preferred shares, 1953 Series	84	65
Common shares	<u>1,495</u>	<u>498</u>
	<u>1,579</u>	<u>563</u>
Balance at end of period.....	<u>\$ 4,309</u>	<u>\$ 3,730</u>

Consolidated Statement of Income

(000's omitted)

Somerville Belkin Industries Limited
For year ended September 30, 1978
(with comparative amounts for nine months ended September 30, 1977)

	<u>1978</u>	<u>1977</u>
Sales	\$94,631	\$55,103
Costs and expenses		
Cost of sales, selling and administrative expenses before the following items	87,841	50,789
Depreciation	1,745	938
Interest on long term debt	951	572
Other interest	1,066	339
Amortization of preproduction costs	124	
Amortization of debt financing costs	13	11
	<u>91,740</u>	<u>52,649</u>
Income from operations	2,891	2,454
Equity in net income of Mastico Industries Limited	297	294
Income before income taxes	3,188	2,748
Income taxes	1,030	910
Net income	<u>\$ 2,158</u>	<u>\$ 1,838</u>
Earnings per common share	\$4.16	\$3.56

Consolidated Statement of Changes in Financial Position

(000's omitted)

Somerville Belkin Industries Limited
For year ended September 30, 1978
(with comparative amounts for nine months ended September 30, 1977)

	<u>1978</u>	<u>1977</u>
Working capital derived from		
Operations		
Net income	\$ 2,158	\$ 1,838
Items not involving working capital		
Depreciation.....	1,745	938
Income taxes provided not currently payable	678	1,195
Increase in equity in Mastico Industries Limited.....	(222)	(161)
Amortization of preproduction costs	124	
Amortization of debt financing costs	13	11
	<u>4,496</u>	<u>3,821</u>
Issue of preferred shares for purchase of		
Richmond, B.C. division		5,000
Term bank loan for purchase of		
Richmond, B.C. division		3,000
	<u>4,496</u>	<u>11,821</u>
Working capital applied to		
Purchase of Richmond, B.C. division		
(net of working capital of \$3,708)		9,007
Purchase of fixed assets (net of disposals)	1,359	920
Dividends	1,579	563
Reduction in long term debt.....	555	175
Preproduction costs	249	492
Purchase of preferred shares for cancellation.....	66	20
	<u>3,808</u>	<u>11,177</u>
Increase in working capital.....	688	644
Working capital at beginning of period	<u>10,622</u>	<u>9,978</u>
Working capital at end of period	<u>\$11,310</u>	<u>\$10,622</u>

Notes to Consolidated Financial Statements

Somerville Belkin Industries Limited
September 30, 1978

1. Summary of Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of Canadian Folding Cartons Limited and Somerville Automotive Trim Limited. These wholly owned subsidiaries are inactive.

(b) Inventories

Inventories are valued using the first in first out method. Raw materials and supplies are valued at the lower of cost and net realizable value. Work in process and finished goods are valued at the lower of cost, which includes an allocation of factory overhead, and net realizable value.

(c) Fixed assets and depreciation

Buildings and equipment are stated at cost except for buildings owned in 1951 and equipment owned in 1955, which are stated at depreciated replacement values in accordance with appraisals made in those years. Other fixed assets and additions subsequent to the appraisals have been shown at cost, which includes, since 1976, interest paid on funds borrowed for major equipment additions. Depreciation is provided on a straight-line basis over the estimated useful lives of the fixed assets.

(d) Debt financing costs

Debt financing costs related to the 8½% Series A sinking fund debentures are being amortized over the twenty year term of the issue on a straight-line basis.

(e) Preproduction costs

The Company follows the practice of deferring costs associated with major plant expansions and amortizes these costs over the five year period immediately following the commencement of commercial production.

2. Inventories

	1978	1977
Raw materials and supplies	\$ 6,533,803	\$ 5,656,161
Work in process	5,053,940	4,969,909
Finished goods	8,587,737	7,160,925
	<u>\$20,175,480</u>	<u>\$17,786,995</u>

3. Fixed assets

	1978		1977	
	Cost	Accumulated depreciation	Net	Net
	(Note 1 (c))			
Land	\$ 1,950,554		\$ 1,950,554	\$ 1,950,554
Buildings	7,920,808	\$ 2,621,020	5,299,788	5,488,778
Machinery and equipment	28,145,941	15,106,349	13,039,592	13,327,291
Leasehold improvements	332,957	98,112	234,845	144,364
	<u>\$38,350,260</u>	<u>\$17,825,481</u>	<u>\$20,524,779</u>	<u>\$20,910,987</u>

4. Long term debt

	1978	1977
8½% Series A sinking fund debentures due April 1, 1993	\$ 7,500,000	\$ 7,600,000
Term bank loan	2,925,000	3,000,000
	10,425,000	10,600,000
Less payable within one year	555,000	175,000
	<u>\$ 9,870,000</u>	<u>\$10,425,000</u>

Under the terms of the Trust Indenture the 8½% Series A sinking fund debentures are secured by a floating charge on the assets of the Company.

The term bank loan and bank advances are secured by a general assignment of accounts receivable and inventories.

Principal due on long term debt during the next five fiscal years is as follows:

1979	— \$555,000
1980-1983 inclusive	— \$480,000 per annum

5. Capital stock

	Number of Shares		Amount	
	1978	1977	1978	1977
Preferred, cumulative and non-cumulative redeemable shares, par value \$50 each, issuable in series				
Authorized	140,000	140,000		
Less purchased for cancellation	10,578	9,272		
	<u>129,422</u>	<u>130,728</u>		
Issued and outstanding				
\$2.80 sinking fund cumulative preferred shares, 1953 series, redeemable at \$51 per share	29,422	30,728	\$ 1,471,100	\$ 1,536,400
\$4.00 non-cumulative subordinated preferred shares, 1977 series, redeemable at \$51 per share	100,000	100,000	5,000,000	5,000,000
	<u>129,422</u>	<u>130,728</u>	<u>6,471,100</u>	<u>6,536,400</u>
Common shares without par value				
Authorized	500,000	500,000		
Issued and outstanding	498,300	498,300	7,456,300	7,456,300
			<u>\$13,927,400</u>	<u>\$13,992,700</u>

6. Long term leases

Long term leases entered into by the Company extend into the year 1997. Under the terms of such leases, the aggregate minimum rental amounts to \$7,146,000. The minimum annual rental payable thereunder for the years 1979 to 1983 is approximately:

1979	\$773,000
1980	621,000
1981	608,000
1982	596,000
1983	567,000

7. Other statutory information

	1978	1977
(a) Directors and officers		
Number of directors	7	6
Aggregate remuneration as directors	\$ 3,000	Nil
Number of officers	8	6
Aggregate remuneration as officers	\$313,227	\$220,880
Number of officers who are directors	3	2
(b) Classes of business		
In the opinion of the directors the classes of business contributing in excess of 10% of sales were as follows:		

	Amount		Percentage	
	1978	1977	1978	1977
Packaging	\$75,706,264	\$42,823,239	80.0	77.7
Other	18,924,719	12,279,794	20.0	22.3
	<u>\$94,630,983</u>	<u>\$55,103,033</u>	<u>100.0%</u>	<u>100.0%</u>

Auditors' Report

To the Shareholders of
Somerville Belkin Industries Limited

We have examined the consolidated balance sheet of Somerville Belkin Industries Limited as at September 30, 1978 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Thorne Riddell & Co.

Chartered Accountants
London, Canada
November 20, 1978

Directors

Morris Belkin
Peter A. Cherniavsky
Robert F. Krause
Ian A. MacDonald
Douglas J. McKinnon
Wallace H. Rayner
Forrest Rogers

Head Office

2000 Argentia Road
Plaza 5, Suite 301
Mississauga, Ontario

Transfer Agent

The Canada Trust Company
Toronto, London, Montreal,
Winnipeg and Vancouver

Stock Listing

The Toronto Stock Exchange

Auditors

Thorne Riddell & Co.

Officers

Morris Belkin
Chairman of the Board
Robert F. Krause
President and
Chief Executive Officer
Wallace H. Rayner
Secretary-Treasurer

Leslie A. Biddie
Group Vice-President —
Packaging Divisions — East

Patrick B. McGarry
Group Vice-President —
Packaging Divisions — West

James C. Bacon
Group Vice-President —
Special Products Divisions

Thomas E. White
Vice-President,
Industrial Relations



James C. Bacon



Leslie A. Biddie



Patrick B. McGarry



Wallace H. Rayner



Thomas E. White

Ted.

Group
y somer



1979 ANNUAL REPORT

^{Teds}
Somerville Belkin Industries Limited

Somerville Belkin Industries Limited,
with its head office located in Mississauga,
Ontario, operates eleven plants — in Montreal,
Brockville, Toronto, Bramalea, London, Windsor,
Winnipeg, Richmond, and Burnaby.

The Company produces folding cartons, flexible
packaging, vacuum formed, compression and
injection moulded plastics, automotive products,
and provides merchandising services.

Report to Shareholders



Morris Belkin



Robert F. Krause

The sales of Somerville Belkin Industries Limited for the fiscal year ending September 30, 1979 amounted to \$112,399,000 compared to \$94,631,000 in the period ending September 30, 1978. The two figures are not comparable inasmuch as the fiscal 1979 figures include the five month results of National Paper Box.

Earnings declined to \$1,725,000 from the 1978 fiscal earnings of \$2,158,000 primarily due to a five and one half month labour strike at two of the eastern packaging plants. This, coupled with high interest rates and intense competitive pressures further depressed earnings. Operating cash flow for the period was \$4,121,000 as compared to \$4,636,000 in fiscal 1978.

Packaging sales for the twelve months to September, 1979 were \$92,484,000 compared to \$75,706,000 achieved in the comparable period of 1978. Other divisions of the company achieved sales of \$19,915,000 which compares with \$18,924,000 in the previous period. The sales increase was attributable to a strong first half

performance of the Automotive Products Division, although demand for reinforced plastic panels and automotive parts weakened in the last half of the year.

Merchandising Services, Plastics Division, Games Division and the Automotive Products Divisions all had profit improvements over fiscal 1978.

The Brockville, Ontario packaging plant which was established in 1977, experienced a significant improvement in profitability as did the Winnipeg and Richmond, B.C. plants. The five months' earnings contributions of National Paper Box were substantial.

The Montreal packaging plant, one of our largest facilities, and the printing department of the London packaging plant, were both shut down as a result of a labour strike by the Graphic Arts International Union. On May 4, 1979 this union entered a strike with Somerville Belkin's two plants as well as with three other folding carton manufacturers in Eastern Canada that

was not settled until October, 1979. There was a significant impact on the earnings of the eastern plants as a result.

The company's equity earnings in Mastico Industries Limited, in which it holds a 50% interest, were \$307,000 compared to \$297,000 in 1978. With decreased car sales anticipated in 1980 the company is making a concentrated effort to expand into non-automotive markets.

On April 30, 1979 Somerville Belkin acquired the Burnaby, B.C. folding carton division of MacMillan Bloedel. This division, now operating as National Paper Box, services the western Canadian folding carton, Pure-Pak and set-up box markets. The company has also announced its intention to build a milk carton packaging plant in Edmonton, Alberta which should be in production in early 1980.

At the Toronto packaging plant a new 6 Colour Offset press as well as a companion cutting press were recently installed. This equipment is the latest and fastest available.

In September, 1979 the Games Division was sold to Copp Clark Limited of Toronto. We are retaining a contract to manufacture games and puzzles for Copp Clark Limited in the London plant for at least three years.

We wish to express our appreciation for the continuing support of all our employees this past year.

While net earnings for the last year were disappointing, we are looking forward to next year with cautious optimism.

M. Belkin,
Chairman of the Board

Robert F. Krause,
President and Chief Executive Officer

Consolidated Balance Sheet

(000's omitted)

Somerville Belkin Industries Limited
(Incorporated under the laws of Canada)
As at September 30, 1979
(with comparative amounts as at September 30, 1978)

ASSETS	1979	1978
Current Assets		
Accounts receivable	\$18,777	\$16,020
Receivable from parent company, Belkin Packaging Ltd.	876	
Income taxes recoverable	263	900
Inventories (note 3)	26,408	20,175
Prepaid expenses	639	762
	<u>46,963</u>	<u>37,857</u>
Investments		
Shares in 50% owned company — Mastico Industries Limited — at equity value	1,230	1,123
Sinking fund for preferred shares — government and industrial bonds at market values (cost \$115,405)	108	108
	<u>1,338</u>	<u>1,231</u>
Fixed Assets (note 4)		
Land, buildings and equipment	43,864	38,350
Less accumulated depreciation	19,080	17,825
	<u>24,784</u>	<u>20,525</u>
Intangibles		
Debt financing costs	182	195
Preproduction costs	467	617
	<u>649</u>	<u>812</u>
	<u>\$73,734</u>	<u>\$60,425</u>

Approved by the Board
M. Belkin, Director
R. F. Krause, Director

LIABILITIES	<u>1979</u>	<u>1978</u>
Current Liabilities		
Bank advances (note 5).....	\$21,465	\$16,106
Accounts payable and accrued liabilities.....	10,346	7,066
Payable to parent company.....		1,555
Income and other taxes payable.....	573	754
Dividends payable	20	21
Long term debt payable within one year.....	480	555
	<u>32,884</u>	<u>26,057</u>
Long term debt (note 6)	<u>13,702</u>	<u>9,870</u>
Income taxes provided not currently payable.....	<u>6,399</u>	<u>5,340</u>
Shareholders' equity		
Capital stock (note 7).....	13,875	13,927
Retained earnings.....	5,952	4,309
Excess of appraised value of fixed assets over cost	922	922
	<u>20,749</u>	<u>19,158</u>
	<u>\$73,734</u>	<u>\$60,425</u>

Consolidated
Statement of
Retained
Earnings

(000's omitted)

Somerville Belkin Industries Limited
For year ended September 30, 1979
(with comparative amounts for the year ended September 30, 1978)

	<u>1979</u>	<u>1978</u>
Balance at beginning of year	\$ 4,309	\$ 3,730
Net income	<u>1,725</u>	<u>2,158</u>
	<u>6,034</u>	<u>5,888</u>
Dividends		
Preferred shares, 1953 Series	82	84
Common shares	<u>82</u>	<u>1,495</u>
		<u>1,579</u>
Balance at end of year	<u>\$ 5,952</u>	<u>\$ 4,309</u>

Consolidated Statement of Income

(000's omitted)

Somerville Belkin Industries Limited
For year ended September 30, 1979
(with comparative amounts for the year ended September 30, 1978)

	<u>1979</u>	<u>1978</u>
Sales	<u>\$112,399</u>	<u>\$94,631</u>
Costs and expenses		
Cost of sales, selling and administrative expenses before the following items.....	105,128	87,841
Depreciation	1,830	1,745
Interest on long term debt	1,231	951
Other interest	1,756	1,066
Amortization of preproduction costs.....	150	124
Amortization of debt financing costs	13	13
	<u>110,108</u>	<u>91,740</u>
Income from operations	2,291	2,891
Equity in income of Mastico Industries Limited.....	307	297
Income before income taxes.....	2,598	3,188
Income taxes	873	1,030
Net income.....	<u>\$ 1,725</u>	<u>\$ 2,158</u>
Earnings per common share.....	\$3.30	\$4.16

Consolidated Statement of Change in Financial Position

(000's omitted)

Somerville Belkin Industries Limited
For year ended September 30, 1979
(with comparative amounts for the year ended September 30, 1978)

	<u>1979</u>	<u>1978</u>
Working capital derived from		
Operations		
Net income	\$ 1,725	\$ 2,158
Items not involving working capital		
Depreciation	1,830	1,745
Income taxes provided not currently payable	1,059	948
Increase in equity in Mastico Industries Limited	(107)	(222)
Amortization of preproduction costs	150	124
Amortization of debt financing costs	13	13
	<u>4,670</u>	<u>4,766</u>
Financing for purchase of National Paper Box division (note 2)		
Note payable	2,750	
Term bank loan	1,562	
	<u>8,982</u>	<u>4,766</u>
Working capital applied to		
Purchase of National Paper Box division		
(net of working capital of \$3,000) (note 2)	5,250	
Purchase of fixed assets (net of disposals)	839	1,359
Dividends	82	1,579
Reduction in long term debt	480	555
Preproduction costs		249
Purchase of preferred shares for cancellation	52	66
	<u>6,703</u>	<u>3,808</u>
Increase in working capital	<u>2,279</u>	<u>958</u>
Working capital at beginning of year		
As previously reported	11,310	10,622
Reclassification of income taxes provided		
not currently payable	490	220
As restated	<u>11,800</u>	<u>10,842</u>
Working capital at end of year	<u><u>\$14,079</u></u>	<u><u>\$11,800</u></u>

Notes to Consolidated Financial Statements

Somerville Belkin Industries Limited
September 30, 1979

1. Summary of Significant Accounting Policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of Canadian Folding Cartons Limited and Somerville Automotive Trim Limited. These wholly owned subsidiaries are inactive.

(b) Inventories

Inventories are valued using the first in first out method. Raw materials and supplies are valued at the lower of cost and net realizable value. Work in process and finished goods are valued at the lower of cost, which includes an allocation of factory overhead, and net realizable value.

(c) Fixed assets and depreciation

Buildings and equipment are stated at cost except for buildings owned in 1951 and equipment owned in 1955, which are stated at depreciated replacement values in accordance with appraisals made in those years. Other fixed assets and additions subsequent to the appraisals have been shown at cost, which includes, since 1976, interest paid on funds borrowed for major equipment additions. Depreciation is provided on a straight-line basis over the estimated useful lives of the fixed assets.

(d) Debt financing costs

Debt financing costs related to the 8½% Series A sinking fund debentures are being amortized over the twenty year term of the issue on a straight-line basis.

(e) Preproduction costs

The Company follows the practice of deferring costs associated with major plant expansions and amortizes these costs over the five year period immediately following the commencement of commercial production.

2. Purchase of National Paper Box Division, Burnaby, B.C.

Effective April 30, 1979 the Company purchased a folding carton plant in Burnaby, B.C. The transaction has been accounted for on the purchase method with the results of operations included in these financial statements from date of acquisition. Details of the acquisition are as follows:

Net assets acquired at assigned values	
Working capital	\$3,000,000
Fixed assets	5,250,000
	<u>\$8,250,000</u>

Consideration given at fair value

Cash	\$5,500,000
11.5% Note payable due January 31, 1980	2,750,000
	<u>\$8,250,000</u>

3. Inventories

	1979	1978
Raw materials and supplies	\$10,772,710	\$ 6,533,803
Work in process	5,997,718	5,053,940
Finished goods	9,637,682	8,587,737
	<u>\$26,408,110</u>	<u>\$20,175,480</u>

4. Fixed Assets

	1979		1978	
	Cost	Accumulated depreciation	Net	Net
(Note 1 (c))				
Land	\$ 2,593,462		\$ 2,593,462	\$ 1,950,554
Buildings	10,062,931	\$ 2,816,765	7,246,166	5,299,788
Machinery and equipment	30,842,025	16,142,873	14,699,152	13,039,592
Leasehold improvements	365,677	120,503	245,174	234,845
	<u>\$43,864,095</u>	<u>\$19,080,141</u>	<u>\$24,783,954</u>	<u>\$20,524,779</u>

5. Bank advances

The bank advances are secured by a general assignment of accounts receivable and inventories.

6. Long term debt

	1979	1978
(a) 8.5% Series A sinking fund debentures due April 1, 1993	\$ 7,320,000	\$ 7,500,000
(b) Term bank loan, with interest at 1.25% above bank prime rate, payable \$75,000 quarterly, plus interest	2,550,000	2,925,000
Term bank loan, with interest at 1.25% above bank prime rate, payable \$135,000 quarterly, plus interest, commencing on June 1, 1981	1,562,500	
(c) 11.5% Note payable due January 31, 1980	2,750,000	
	14,182,500	10,425,000
(d) Less payable within one year	480,000	555,000
	<u>\$13,702,500</u>	<u>\$ 9,870,000</u>

- (a) Under the terms of the Trust Indenture the 8½% Series A sinking fund debentures are secured by a floating charge on the assets of the Company.
- (b) The term bank loans are secured by a fixed and floating charge on the assets of certain operating divisions.
- (c) The 11.5% note payable is shown as long term because the Company has a specific commitment from the bank for long term financing to retire this note.
- (d) Principal due on long term debt during the next five fiscal years (after taking into account the financing in (c) above) is as follows:

1980	\$ 480,000
1981	750,000
1982	1,020,000
1983	1,020,000
1984	1,240,000

7. Capital stock

- (a) The Company applied for and received a Certificate of Continuance under The Canada Business Corporations Act dated August 30, 1979. The authorized capital consists of common and preferred shares of no par value.

The Company is restricted by its articles as to the maximum number of shares that can be issued as follows:

129,422 Preferred shares
500,000 Common shares

- (b) Issued and outstanding

	Number of Shares		Amount	
	1979	1978	1979	1978
Preferred shares \$2.80 Sinking fund cumulative, 1953 series, redeemable at \$51 per share	28,382	29,422	\$ 1,419,100	\$ 1,471,100
\$4.00 Non-cumulative subordinated, 1977 series, redeemable at \$51 per share	100,000	100,000	5,000,000	5,000,000
	<u>128,382</u>	<u>129,422</u>	<u>6,419,100</u>	<u>6,471,100</u>
Common shares	<u>498,300</u>	<u>498,300</u>	<u>7,456,300</u>	<u>7,456,300</u>
			<u>\$13,875,400</u>	<u>\$13,927,400</u>

- (c) During the year, the Company purchased for cancellation 1,040 preferred shares, 1953 series (1978-1,306 shares).

8. Long term leases

Long term leases entered into by the Company extend into the year 1997. The minimum annual rental payable thereunder for the years 1980 to 1984 is approximately:

1980	\$1,050,000
1981	965,000
1982	953,000
1983	914,000
1984	822,000

9. Other statutory information

Classes of business

In the opinion of the directors the classes of business contributing in excess of 10% of sales were as follows:

	Amount		Percentage	
	1979	1978	1979	1978
Packaging	\$92,483,780	\$75,706,264	82.3	80.0
Other	19,915,158	18,924,719	17.7	20.0
	<u>\$112,398,938</u>	<u>\$94,630,983</u>	<u>100.0%</u>	<u>100.0%</u>

Auditors' Report

To the Shareholders of
Somerville Belkin Industries Limited

We have examined the consolidated balance sheet of Somerville Belkin Industries Limited as at September 30, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell & Co.

Chartered Accountants
London, Canada
November 12, 1979

Directors

Morris Belkin
Peter A. Cherniavsky
Robert F. Krause
Ian A. MacDonald
Douglas J. McKinnon
Forrest Rogers
David H. Gordon

Head Office

2000 Argenta Road
Plaza 5, Suite 301
Mississauga, Ontario

Transfer Agent

The Canada Trust Company
Toronto, London, Montreal,
Winnipeg and Vancouver

Stock Listing

The Toronto Stock Exchange

Auditors

Thorne Riddell & Co.

Officers

Morris Belkin
Chairman of the Board

Robert F. Krause
President and
Chief Executive Officer

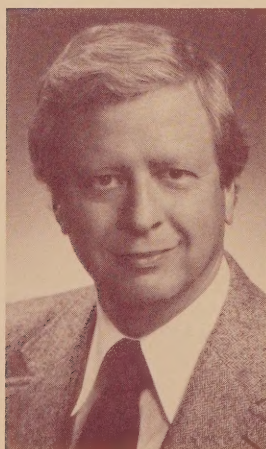
Leslie A Biddie
Group Vice-President —
Packaging Divisions — East

Patrick B. McGarry
Group Vice-President —
Packaging Divisions — West

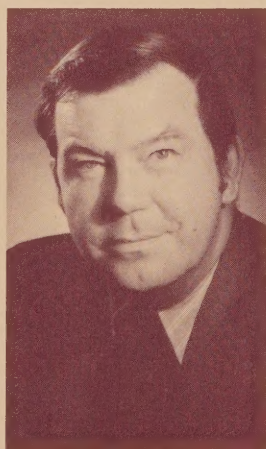
James C. Bacon
Group Vice-President —
Special Products Divisions

Thomas E. White
Vice-President,
Industrial Relations

W. Ernest Doyle
Corporate Controller



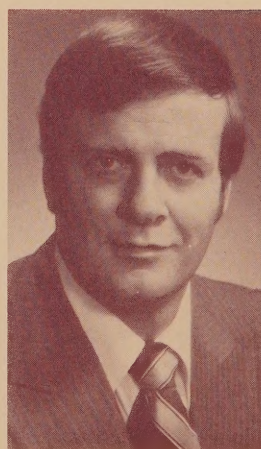
James C. Bacon



Leslie A. Biddie



Patrick B. McGarry



Thomas E. White

